

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** Senate Bill 202 (Third Edition)

**SHORT TITLE:** Appropriations Act of 2009.

**SPONSOR(S):** Senator Garrou

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### SECTION 26.22 EXTEND PHASED RETIREMENT PROGRAM EXEMPTION

**FUNDS AFFECTED:** General Fund and Receipt Funds in the University of North Carolina System

**SYSTEM OR PROGRAM AFFECTED:** The University of North Carolina has a Phased Retirement Program which allows instructors who are retiring to apply to participate in the Phased Retirement Program. If approved, they will be allowed to continue to teach for a maximum of two to three years without any break in service and receive 50% of their usual salary. There are usually about 230 participants throughout the entire university system. Participants in the program can be retirees of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program.

**EFFECTIVE DATE:** July 1, 2009

**PROVISION SUMMARY:** The law was changed in 2005 to require a six month break in service before a retiree could return to service with any employer of the State. Participants in the University Phased Retirement Program were exempted from this six month break until June 30, 2010. This special provision will extend the exemption until the earlier of August 31, 2013 or twelve months from the issuance of final phased retirement regulations by the Internal Revenue Service.

**ESTIMATED IMPACT ON STATE:** Both Buck Consultants, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost will be negligible.

#### ASSUMPTIONS AND METHODOLOGY:

##### Teachers' & State Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 338,490 active members with an annual payroll of \$12.7 billion, 145,855 retired members in receipt of annual pensions totaling \$2.9 billion, and actuarial value of assets equal to \$55.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward

two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910.** The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

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**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** May 1, 2009



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